

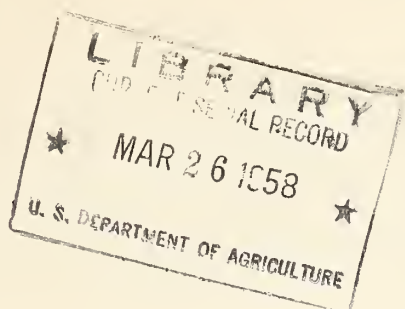
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THE AGRICULTURAL IMPORT TRADE OF THE COMMON MARKET COUNTRIES

Foreign Agricultural Service
UNITED STATES DEPARTMENT OF AGRICULTURE

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The Common Market

The treaty creating the European Economic Community - or Common Market - went into effect on January 1, 1958. Recognized as a step of decisive importance in the postwar efforts toward economic and political integration in Western Europe, this move is first and foremost concerned with unification of the trade policies of the six member countries--France, Germany, Italy, Belgium, the Netherlands and Luxembourg. This area is an important customer for U. S. agriculture, taking about one-fourth of our total farm exports.

The well-known aim of the Common Market is to gradually create of the six countries an area, free of tariffs and other trade restrictions internally, with a common tariff toward the outside world, and with free movement of capital and labor within the area. The dependent overseas territories of the member countries are to be associated with the Common Market, i.e., their products will in time enter all the Common Market countries without tariffs or other restrictions. They, in turn, will give equal treatment to imports from the Six, though not necessarily tariff-free admission.

To attain the Common Market a transition period of 12 to 15 years is planned. A start on tariff reduction and liberalization of quotas within the area is scheduled for January 1, 1959. The first gradual steps toward a common tariff against the outside world are to be applied on January 1, 1962. In the meantime, the Six will set up the Common Market institutions and spell out in more detail the measures necessary for the implementation of the treaty, including many common tariff rates which have yet to be agreed upon.

The effects of the Common Market on the trade of other countries with the area are difficult to gauge until the detailed provisions are worked out. That they are expected to be far-reaching is clearly shown by the intensive interest taken in the treaty by other countries. This is exemplified by the British proposal for a Free Trade Area, less comprehensive in scope than the Common Market, through which other West European countries might be associated with the Common Market. It is also reflected in the searching discussions of the treaty provisions by the member countries of GATT at the twelfth session of that organization late in 1957. This session resulted in the establishment of a Committee which will examine the trade arrangements of the Common Market to insure that the benefits for the six countries arising from the creation of the Common Market are consistent with the provisions of the General Agreement on Tariffs and Trade. All of the Six participate in the latter agreement..

Treaty Provisions for Agriculture

The true Common Market which the treaty envisions at the end of the transition period for industry is not scheduled to apply to agriculture, although the treaty does call for a common tariff for agricultural products. All the member countries have important domestic agricultural programs,

varying in character and extent, and supported by tariffs, quantitative import restrictions, and internal market regulations. For social, political and defense reasons it was recognized that free trade in farm products within the Common Market area would not be accepted. Accordingly, the treaty calls for a common agricultural policy, implemented through some type of common organization of the area's agricultural markets.

Some of the proposed tariffs on agricultural products that are to be applied toward the outside world by the Common Market were agreed upon among the Six in the negotiations, and these are annexed to the treaty. Basically, the rule concerning the new common tariff rates is that they shall correspond to the arithmetic average of those in effect on January 1, 1957, in the individual countries.

For grains and wheat flour the rate will be the arithmetic average of the "book duties" rather than of the duties actually in effect, which for wheat gives a rate of 20 percent, for wheat flour 30 percent. The corresponding averages of rates actually in effect on January 1, 1957, result in percentages of 7.5 and 17.75, respectively. The new rate for unmanufactured tobacco is 30 percent, for oranges 15-20 percent. Raw materials are to be admitted at a tariff rate not exceeding 3 percent. Cotton is classified as a raw material rather than an agricultural product and will be free of duty. But what the rate for any commodity will ultimately be, after negotiation and agreement with other GATT member countries remains to be seen.

During the 12-15 year transition period--until agricultural policies are integrated--member countries, with agricultural prices imperiled by the steps taken toward unification, may impose minimum prices on the products imported from other member countries. Another device related to the transition period is contained in Article 39 of the treaty. This takes the form of long-term commodity agreements, which France has so steadfastly desired in order to provide guaranteed export outlets for her expanding agricultural production. Article 38 of the treaty mentions as possible tools of the ultimate common marketing policy price regulation, subsidies for production and marketing, stocking systems, and common mechanisms for stabilizing imports and exports. The actual measures of agricultural policy to be adopted remain to be worked out, however.

A conference is scheduled to be called, now that the treaty has gone into effect, for the purpose of formulating guiding rules of the common policy and for drawing up balance sheets of the area's resources and requirements. Aided by these findings, and within 2 years from the time the treaty went into effect, the new nine-man European Commission--the Common Market's executive body--must submit concrete proposals concerning the common agricultural policy. The adopted proposals will take effect gradually, but the process of integration must be completed by the end of the transition period. Thus, it will be quite some time before specific measures take shape and their significance for American agriculture can be evaluated.

An examination of recent trade statistics for agricultural imports into the Common Market countries can, however, give an indication of the importance of the area for U. S. agriculture, and of the United States as a sup-

plier of farm products to the area. It will also show which commodities loom large in this trade.

The Area's Agricultural Imports

Most Common Market countries are highly industrialized and rely on imports for a considerable share of their food and agricultural raw materials. In 1955 and 1956, over 35 percent of their total imports by value were agricultural. These agricultural imports came to over \$7 billion in 1955 and \$8 billion in 1956. These amounts include large sums for commodities such as coffee and rubber, which the United States does not supply. Nevertheless, the U. S. share in the total imports of agricultural products in the 2 years was over 11 and 13 percent, respectively. The area took 23.7 percent of all U. S. farm exports in 1955, 26.5 percent in 1956.

Some of the Common Market countries are themselves agricultural exporters of considerable importance. French wheat, sugar, meat, and wine, Dutch livestock products and horticultural products, and Italian fresh fruits, nuts, vegetables and rice are exported in substantial quantities. The Netherlands provides by far the largest share of this intra-area trade. Altogether, the six countries get about 15 percent of their agricultural imports from each other. They receive another 15 percent from their own overseas territories. From Latin America comes around 14 percent and from the United States a little less. Other West European countries provide nearly 10 percent.

The United States supplies the area with a substantial share of important products. In 1955 and 1956 this amounted to about one-third of the bread grains, feed grains, and unmanufactured tobacco, close to one-fourth of the cotton, canned fruits, fats and oils, and, in 1956, nearly one-fifth of the dried fruits, all by value.

For total imports of U. S. farm products, Germany and the Netherlands rank highest among the Common Market countries. They are also among U. S. agriculture's five best foreign customers. West Germany takes an especially large share of lard, soybeans, tobacco, and dried fruits, the Netherlands of feed grains, oranges and inedible tallow. Italy is the largest taker of tallow. And France bought the largest share of the cotton in 1956, but was surpassed by West Germany the preceding year.

The large French imports of U. S. wheat in 1956 were exceptional, and were caused by a poor French wheat crop that year. France has been a major wheat exporter in recent year, net exports reaching a high of 77 million bushels in the season 1955-56. In the same season, its gross exports to the other five Common Market countries totaled 25 million bushels.

The Common Market, by its nature, will provide a competitive advantage to the suppliers in its member countries, as well as those in its overseas areas. If the Free Trade Area materializes, producers in other West European countries will also enjoy advantages in comparison with suppliers outside the Common Market and Free Trade Area. Yet it is the common hope and belief that the creation of a large, integrated market out of some or all of Western Europe's national markets will result in a stimulation of economic growth for the whole region, which will also benefit other countries.

TABLE 1.--Common Market countries: Total agricultural imports by area of origin, 1955 and 1956

Area of origin	1955		1956	
	Million dollars	Percent	Million dollars	Percent
Common Market countries	1,078	15.1	1,195	14.8
Overseas territories of Common Market countries	1,141	16.0	1,234	15.2
Other West European countries	652	9.2	773	9.5
Overseas territories of other West European countries	474	6.7	467	5.7
Western Europe and overseas territories.	3,345	47.0	3,669	45.2
United States	826	11.6	1,080	13.3
Canada	138	1.9	197	2.4
Latin America	973	13.7	1,163	14.3
Eastern Europe, incl. USSR	148	2.1	234	2.9
Other areas	1,687	23.7	1,778	21.9
Total	7,117	100.0	8,121	100.0
Total imports, all commodities	19,211	--	22,328	--
Agricultural imports in percent of total imports	--	37	--	36

Organization for European Economic Cooperation. Foreign Trade, Series IV, 1955 and 1956.

TABLE 2.--Common Market countries: Agricultural imports from West Europe countries, 1955 and 1956

Area of origin	1955		1956	
	Million dollars	Percent	Million dollars	Percent
Italy	195	11.3	234	11.9
Netherlands	423	24.4	471	23.9
France	258	14.9	248	12.6
West Germany	66	3.8	79	4.0
Belgium-Luxembourg	136	7.9	163	8.3
Total Common Market countries	1,078	62.3	1,195	60.7
Scandinavian countries	270	15.6	327	16.6
Mediterranean countries ^{1/}	215	12.4	210	10.7
Other West European countries	167	9.7	236	12.0
Total Western Europe	1,730	100.0	1,968	100.0

^{1/} Excluding Italy.

Organization for European Economic Cooperation. Foreign Trade, Series IV, 1955 and 1956.

TABLE 3.--Common Market countries: Imports of specified agricultural commodities, total value and percentage distribution by origin, 1955 and 1956

Year and area of origin	Wheat	Rice	Corn	Other grains	Fruits		Unmfd. tobacco	Cotton	Oilseeds, fats, and oils
	Percent	Percent	Percent	Percent	Fresh	Dried			
1955					Percent	Percent	Percent	Percent	Percent
Common Market countries . . .	12.9	12.4	1.6	7.1	26.1	11.0	21.8	2.1	5.5
Overseas territories of Common Market countries . .	11.2	22.1	6.0	9.3	26.5	8.5	20.7	8.8	23.4
Other West European countries	2.3	2.3	2.2	5.5	20.6	37.4	12.7	15.7	7.4
Overseas territories of other West European countries . . . . .	.6	--	4.6	--	.3	1.0	2.5	.1	11.5
Western Europe and overseas territories	27.0	36.8	14.4	21.9	73.5	57.9	57.7	26.7	47.8
United States	24.0	3.9	28.8	40.0	4.1	11.6	28.6	34.8	27.3
Canada	21.3	--	.1	5.4	--	--	.5	.1	2.6
Latin America	18.1	4.7	28.8	17.5	9.7	.4	1.1	8.8	22.1
Eastern Europe, incl. USSR. . .	3.5	.1	3.3	1.6	.6	5.2	3.7	5.1	.7
Other areas	6.1	54.5	24.6	13.6	12.1	24.9	8.4	24.5	24.0
All countries	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1956					Percent	Percent	Percent	Percent	Percent
Common Market countries . . .	5.1	18.7	1.6	8.6	26.6	1.5	27.0	2.9	6.7
Overseas territories of Common Market countries . .	5.0	20.0	6.6	7.8	28.8	16.8	22.0	7.6	24.7
Other West European countries	3.5	3.7	2.1	9.6	13.0	25.5	12.3	17.3	6.6
Overseas territories of other West European countries . . . . .	.4	--	6.1	--	1.1	.3	1.5	.1	9.4
Western Europe and overseas territories	14.0	42.4	16.4	26.0	69.5	44.1	62.8	27.9	47.4
United States	35.6	12.0	29.4	34.8	7.1	18.4	23.0	32.1	23.2
Canada	26.2	--	.3	1.9	--	--	.3	.4	2.7
Latin America	15.1	7.5	26.1	17.1	11.0	.7	1.1	7.9	2.7
Eastern Europe, incl. USSR. . .	.7	.7	7.9	4.5	.7	4.0	5.9	6.8	.6
Other areas	8.4	37.4	19.9	15.7	11.7	32.8	6.9	24.9	23.4
All countries	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
1955					Percent	Percent	Percent	Percent	Percent
Common Market countries . . .	371	44	116	222	467	49	34	197	818
Overseas territories of Common Market countries . .									
Other West European countries									
Overseas territories of other West European countries									
Western Europe and overseas territories									
United States									
Canada									
Latin America									
Eastern Europe, incl. USSR. . .									
Other areas									
All countries									
1956					Percent	Percent	Percent	Percent	Percent
Common Market countries . . .									
Overseas territories of Common Market countries . .									
Other West European countries									
Overseas territories of other West European countries									
Western Europe and overseas territories									
United States									
Canada									
Latin America									
Eastern Europe, incl. USSR. . .									
Other areas									
All countries									

TABLE 4.--Selected agricultural products: U. S. exports to Common Market countries, total quantity and percentage distribution by country of destination, 1955 and 1956

Year and commodity	Total Common Market countries	West Germany	Netherlands	Belgium-Luxembourg	France	Italy
Unit	Quantity					
1956		Percent	Percent	Percent	Percent	Percent
Wheat	Mil.bu.: 110	27.4	24.0	16.0	28.5	4.1
Corn and sorghum . .	Mil.bu.: 68	24.6	35.3	30.9	4.0	5.2
Oranges and tangerines	Mil.lbs: 364	22.3	44.5	25.8	7.4	--
Prunes . . .	Mil.lbs: 36	47.2	22.2	13.9	13.9	2.8
Raisins and currants .	Mil.lbs: 22	40.9	40.9	18.2	--	--
Soybeans . .	Mil.bu.: 27	43.2	41.3	9.6	5.9	--
Lard	Mil.lbs: 75	93.1	5.7	.9	--	.3
Tallow, inedible .	Mil.lbs: 640	19.8	30.0	8.2	.4	41.6
Tobacco, unmd	Mil.lbs: 138	50.7	24.1	15.8	4.6	4.8
Cotton . . .	Mil.lbs: 699	31.5	9.0	12.0	22.6	24.9
1955						
Wheat	Mil.bu.: 55	39.6	41.7	11.6	--	7.1
Corn and sorghum . .	Mil.bu.: 61	30.3	35.7	30.9	2.1	1.0
Oranges and tangerines	Mil.lbs: 180	5.1	49.5	27.4	18.0	--
Prunes . . .	Mil.lbs: 16	27.6	20.5	21.8	28.8	1.3
Raisins and currants .	Mil.lbs: 31	41.3	42.3	16.4	--	--
Soybeans . .	Mil.bu.: 24	47.9	34.3	5.5	12.3	--
Lard	Mil.lbs: 88	77.7	21.8	.2	--	.3
Tallow, inedible .	Mil.lbs: 509	20.8	34.3	7.8	1.1	36.0
Tobacco, unmd	Mil.lbs: 127	46.3	24.4	19.6	6.2	3.5
Cotton . . .	Mil.lbs: 322	28.3	10.3	4.0	37.8	19.6

